

oriented economy ripe with opportunity.

The reform process in India has begun to bear fruit. Exports have increased by 20 percent in the 1993-94 fiscal year (the highest growth rate in Asia); capital inflows have increased from US\$150 million in 1991 to US\$5 billion in 1994. India's rapidly expanding middle class, numbering some 250 million, represents the largest emerging consumer market in the world and is a source of highly educated, affordable, skilled labour. With this pent up demand, Canadian companies can no longer ignore the tremendous opportunities in India. India is the next large emerging market, and Canadian business must position itself in the Indian market or risk being left behind. And, there is plenty of room to grow. In 1993, Canada was the source of a mere 0.8% of India's US\$ 21.88 billion in imports, while India ranked 25th in terms of Canada's largest export markets. Furthermore, there are opportunities not only for exporting to the large Indian domestic market, but to use India as a base for exports to third countries in the region, or for that matter, the global marketplace.

The greatest potential for Canadian success exists now, when the sheer number of opportunities and the possibilities for forming partnerships in India are probably at their zenith.

## V. Strategic Issues

Two-way trade and investment between Canada and India does not reflect the capabilities and potential of these trading partners. The following issues are limiting Canada's economic development and trade interests in India:

- **Awareness** - India's business potential is not fully appreciated in Canada. Similarly, there is a lack of awareness in India of Canadian competitive strengths. As a result, there is a risk that many of Canada's competitors which have placed a higher priority on India both politically and commercially will have greater success in this burgeoning market.
- **Complexity of the Indian Business Environment** - The Indian market has some distinct market characteristics (i.e. business practices and infrastructure) that may seem overwhelming to Canadian businesses at first. India is not for the timid or uncommitted. Generally, Canadian businesses have not looked beyond their first impression of India.
- **Market Accessibility** - Despite extensive economic reforms, a number of barriers remain which hinder access to the Indian market. Relatively high tariff rates, intellectual property protection problems, and local licensing requirements can impede market access.
- **Financing** - Limitations in financing mechanisms for Canadian companies seeking to do business in India are restricting market access. Financing concerns range